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Kroll: Mixing Oil and Water - A Credit Short Story.

Kroll Bond Rating Agency (KBRA) has released a new research report entitled ["Mixing Oil and Water - A Credit Short Story."](#) This report makes the following key points:

- The large water discharge at the Oroville Dam has highlighted a commodity that is crucial to California's economic viability and has provided an opportunity for KBRA to shine a light on another globally important commodity—oil—that also is produced on a large scale on a daily basis.
- KBRA believes that investors need to pay close attention to the percentage change in oil prices as it results in exaggerated moves, in terms of spread performance, on the energy securities that they hold.
- There is more corporate credit quality destruction, larger spread widening, and an increase in energy company defaults when oil prices move from \$50 to \$25 because pricing at this level undermines the breakeven level of oil producers lifting costs.

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